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### **Some Small Colleges Worry About the Cost of Carrying Out Obama's Loan Proposal**

By AUSTIN WRIGHT

Sheryl Mihopulos, director of financial services and financial-aid compliance at Adelphi University, worries that her office will soon have to shift resources away from what she considers its most important duty: helping students and parents navigate the complex aid options.

If Congress adopts President Obama's plan to end the bank-based, federal guaranteed-loan program and move all colleges to the government's direct-lending program by the 2010-11 academic year, Ms. Mihopulos's office, along with the more than 4,000 other financial-aid offices that would have to make the switch, could be forced to hire staff members and spend thousands of dollars on new software. Congress is to begin debate on the president's plan this month.

While some colleges may be able to make the switch to direct lending with little headache, advocates for small colleges — with modest financial-aid staffs — say the transition could be particularly troublesome for them. It could cost some institutions hundreds of thousands of dollars, adding to demands for resources as colleges are already grappling with a bad economy.

Adelphi participates in the guaranteed-loan program, which provides federal subsidies to banks and other lenders that issue student loans. Mr. Obama has said that eliminating the program will save taxpayers billions of dollars each year, money he wants to use to bolster the Pell Grant program for needy students. The president's proposal calls for all colleges to switch to the direct-loan program, under which the Education Department issues loans directly to students through their colleges. About three-fourths of colleges issue guaranteed loans.

Ms. Mihopulos says the proposed change comes at a particularly bad time. "I'm extremely big on providing financial-aid counseling to students and families, and with the current economic crisis, that's been the focus of our office," she says. "Now we'll have to divert our focus to changing our computer systems rather than maintaining our focus on helping the families."

To administer its loan program, Adelphi relies on computer software, developed by the university, that processes loans issued through the guaranteed-loan program. The software is not compatible with direct loans. Ms. Mihopulos says she has spent four hours on the phone with Education Department officials and six hours attending the department's Web-based training sessions, trying to evaluate her office's options for updating or replacing the software, which it has used for more than two decades.

Elsewhere, financial-aid officers at colleges that use name-brand software programs, like Sungard's Banner Unified Digital Campus and the College Board's PowerFaid, which are compatible with both federal loan programs, say the switch can be quick and simple.

Angela Monnat, director of financial aid at St. John Fisher College, says her office moved from guaranteed loans to the direct lending program in May because she was worried about the bank-based program's stability after several lenders had dropped out. Students' access to loans was uninterrupted, she says, adding that borrowers are already praising direct lending's simplicity.

"There's a comfort level in knowing that the loans are handled by the Department of Education," Ms. Monnat says. "I really think it's a win-win situation for the college and for the student."

### **A Pitch for Federal Support**

Nevertheless, the prospect of being forced to make the switch to direct lending has a number of colleges, particularly small ones, on edge. The United Negro College Fund, which represents 39 historically black colleges and universities, sent letters in April to members of Congress and officials at the Education Department expressing concern about the administrative costs that small colleges could have to absorb. The letters urged lawmakers to provide technical and financial support to colleges that are forced to alter their longstanding methods of processing student aid.

"Our concern is that smaller, private, underresourced institutions — not just HBCU's but community colleges and small private colleges — have an additional administrative burden when switching from the federal [guaranteed-] loan program to the direct-loan program," says Shari F. Crittendon, the college fund's vice president for government affairs. Many colleges with small financial-aid offices, she says, have come to depend on the banks to handle a lot of the administrative tasks involved in processing loans through the guaranteed-loan program — a burden that would be shifted to colleges under direct lending.

If Congress does adopt the president's plan, she says, she hopes lawmakers will at least lengthen the time frame for making the switch.

David S. Baime, vice president for government relations at the American Association of Community Colleges, says that while most community colleges remain in the federal guaranteed-loan program, many are now switching to direct lending because of the president's proposal.

"Most of the ones moving to direct lending have indicated that it hasn't created undue hardship or expense for them," he says.

During a conference call with reporters last month, Robert M. Shireman, deputy under secretary of education, said Education Department officials have been proactive in reaching out to colleges that are making the change to direct loans, and he pledged that the department would provide technical assistance and training to colleges struggling to meet any deadline for moving to direct lending.

Rep. Tim Bishop, a Democrat from New York and member of the House education committee, said in an interview that he and other members of the panel would look into providing financial help to colleges that find themselves struggling to switch loan programs.

"I'm not going to pretend that this is going to be an effortless and seamless transition," said Mr. Bishop, a former financial-aid officer at Long Island University's Southampton Graduate Campus.

But moving all colleges to direct lending is "something that we absolutely must do," he said. "We're taking out the profit margins of lenders and putting them into the hands of needy students, and that seems like a very wise public-policy position for us to take."

Some Republicans have said that if Congress approves Mr. Obama's proposal to end the guaranteed-loan program, more than 30,000 jobs will be lost, and colleges will no longer have the freedom to choose between two competing loan programs. Rep. Howard P. (Buck) McKeon, a Republican from California and member of the House education committee, has also voiced concern about the administrative burden small colleges will face.

"In talking to institutions that have been in and out of the [direct-loan] program, we have learned that it could take up to nine months for a single institution, with plenty of staff, to be ready to issue its first loan," he said at a House Budget Committee meeting in March. "We have also learned that the cost to institutions of switching programs could be as much as \$400,000 for staffing costs, system changes, updates, and other infrastructure modifications."

Ms. Mihopoulos, the financial-aid officer at Adelphi, says she worries that the federal government might not be able to offer the same level of customer service that students get from banks under the guaranteed-loan program. If Congress adopts Mr. Obama's proposed one-year time frame for making the switch, she says, her office will probably have to hire a technology specialist to update the university's loan-processing software.

"We're still gathering facts and planning," she says. "We're kind of in a limbo stage right now."